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RUEHNE/AMEMBASSY NEW DELHI 4379
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RUEHCN/AMCONSUL CHENGDU 1312
RUEHCHI/AMCONSUL CHIANG MAI 1332
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RUEATRS/DEPT OF TREASURY WASHDC
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RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
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C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000037

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STATE FOR EAP/MLS; INR/EAP; OES FOR JMOTKE AND ACOVINGTON;
EAP FOR JYAMAMOTO; EEB FOR TSAEGER
PACOM FOR FPA;
TREASURY FOR OASIA: SCHUN

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TAGS: [SENV](#) [ECON](#) [ENRG](#) [PGOV](#) [EPET](#) [BM](#)

SUBJECT: PETROLEUM PRODUCTION DESTROYING BURMA'S ECOSYSTEMS

REF: A. RANGOON 35

[1](#)B. 07 RANGOON 1035

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d)

[1](#)1. (C) Summary. The development of new and existing onshore and offshore oil and gas wells continues to inflict grave damage on Burma's environment. Local NGOs report that companies do not take precautions when disposing of the toxic byproducts of drilling, which may contain dangerous levels of mercury. One local Burmese company admitted that it just dumps toxic mud in the surrounding area, often near villages.

Heavy equipment and seismic surveys used in oil and gas production cause soil erosion, destroy natural habitats for land and marine species, and contaminate water and land sources. The Burmese Government does little to promote environmental protection. It neither requires oil and gas companies to conduct environment impact assessments nor encourages them to file environmental plans with appropriate Ministry offices. Further development of oil and gas wells in Burma will contribute to Burma's deteriorating environment and possibly endanger the health of those living in the surrounding areas. End Summary.

Lack of Environmental Regulations

[1](#)2. (C) Although Burma has one of the world's most diverse ecosystems, the Burmese Government does little to protect the environment. Companies that invest in development projects are not required to conduct environment impact assessments (EIAs), nor must they ensure that their projects do not

destroy natural habitats (Ref A). According to local environmental NGOs, investors in the extractive industries, particularly oil and gas and mining, are among the worst, digging and drilling into the ground with no thought to the surrounding areas. U Uga, Chairman of the Biodiversity and Nature Conservation Association (BANCA), told us that foreign oil and gas companies are more apt to protect the environment than Burmese companies, conducting EIAs and using more energy efficient technology. However, the lack of transparency in the Burmese legal system enables foreign companies, particularly the Chinese, to be more lax than they would be in most other countries, U Uga stated.

¶3. (C) We met with both local and foreign oil and gas companies to hear their views on environmental protections. (Note: Not all companies would meet with us. The state-owned Myanmar Oil and Gas Enterprise (MOGE); Chinese-owned CNOOC, CNPC and SINOPEC; Russian company Zarubezhneft; Australian company Danford Equities; and Thailand's PTTEP declined meetings with us. End Note.) Dr. Su-Yeong Yang, Managing Director of Korean-owned Daewoo, told us that most foreign companies working in Burma voluntarily take steps to protect the environment, despite the lack of regulation. Local companies, particularly MOGE, do not follow the same high standards, he admitted. Developing Burma's oil and gas sector is not easy, he underscored. While Burma has rich oil and gas reserves, its rugged terrain and lack of infrastructure make it difficult for companies to explore and produce, either on or off shore. When working under these conditions and using heavy machinery, companies often tear up the areas near or on the way to the drill sites. What is important, he stressed, is how a company cleans up after itself.

Environmentally Unsound Onshore Drilling

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¶4. (C) According to U Ohn, Director of local environment NGO FREDIA, the environmental impacts of onshore drilling are more readily apparent than of offshore projects. Under Burmese law, only the state can invest in onshore oil and gas projects; if a foreign company wants to invest, it must enter into a joint venture with MOGE. As a result, MOGE controls more than 70 percent of onshore fields, with eight companies (only one is Burmese, the others are joint ventures with foreign companies) having exploration and production rights to the other 30 percent of fields (Ref B). While many of these fields are located in the plains of Central Burma, some of the Chinese-owned fields are located in remote areas of Magway, Mandalay, and Sagaing Divisions. To explore and produce in these areas, CNOOC, CNPC, SINOPEC, and MOGE cut down trees, bulldozed the area, and built roads, causing soil erosion and deforestation, U Ohn told us. The use of heavy machinery further destroyed the area, tearing up the land and displacing those who lived there, he continued.

¶5. (C) Oil and gas exploration practices also destroy the environment, U Uga declared. Before a company decides to build well heads, it must conduct seismic tests to determine whether there are sufficient reserves. In order to obtain seismic data, companies must clear paths, detonate dynamite, and take readings. U Uga noted that most of the onshore wells are old; MOGE conducted many of these tests in the 1970s. Instead of cleaning up after conducting these tests, MOGE just left holes in the ground, U Uga complained. CNOOC and SINOPEC are now looking to conduct seismic tests in northern Burma. He doubted that they would take better care of the environment than MOGE did.

¶6. (C) Daewoo Drilling Manager Bruce Leach told us that in both onshore and offshore drilling, companies use drill mud, which contains barite mercury, to extract the oil from the sand. Because Burma's onshore fields are located in high pressure pockets, companies must use either a high density

mud, which has a higher mercury content, or a high density brine, which is toxic. In other countries, the government requires a company to have an environmental plan that details how it will handle and dispose of toxic mud and waste. The Burmese Government does not do this, he noted. Indeed, Ye Myat Soe, Technical Coordinator for Focus Energy (a joint venture between MOGE and the Swiss), admitted to us that Focus Energy and MOGE just "dump" their toxic mud in the areas surrounding the drill wells, often near villages. He was unconcerned about the health of the people living near the wells, noting that "they appeared fine." Although NGOs are aware of the dumping of toxic waste, their efforts to halt this practice fall on deaf ears, U Uga complained.

Offshore Drilling Also a Concern

17. (C) Foreign companies control the majority of Burma's offshore wells, and they take their own measures to protect the environment, U Uga noted. However, dumping of toxic waste, brine, and muds from drilling also occurs offshore. Some companies, such as PTTEP and Burmese-owned MPRL, just dump them into the ocean, killing off plant and marine life. Other companies, such as French-owned Total, Daewoo, and Malaysian company Petronas, attempt to detoxify the waste before they dispose of it. These companies declined to tell us where they dispose of the toxic waste or show us their environmental plans. While environmentalists have yet to study the waters surrounding the offshore fields, they believe that habitats for fish and coral reefs may have been destroyed because of natural gas projects.

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18. (C) The gas pipeline that connects the Yadana and Yetagun gas fields (controlled by Total and PTTEP respectively) to onshore refineries also damage the natural environment, U Ohn told us. Dave Peters of Chevron/UNOCAL (partner with Total in the Yadana fields) told us in November that there are often leaks in the pipeline, which was built by MOGE in the 1980s. Chevron/UNOCAL estimates that due to pipeline corrosion, approximately 70 million cubic feet of natural gas a day is lost. According to Peters, MOGE attempts to quickly patch the leaks and repair the rusty pipeline. However, because MOGE does not adequately monitor the pipeline, leaks may go unnoticed for weeks and natural gas, which is highly combustible, leaches into the surrounding soil.

Comment

19. (C) As long as "black gold and golden gas" continue to flow in Burmese territory, foreign and local companies will seize the opportunity to invest in the oil and gas sector. The GOB expects companies to continue to explore, drill, and produce oil and gas in both onshore and offshore blocks in 2008. The longer companies are allowed to work in Burma with no environmental requirements, the more damage to Burma's ecosystems. Not only do the people not receive any benefits from oil and gas revenues, they will bear the costs of environmental damage.

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